

## News release

# Optimism bounces back amongst businesses around the world

Figure 1: Balance percentage of optimism/pessimism over the next 12 months

	Chile	85
	India	84
	Australia	79
	Vietnam	72
	Brazil	71
	Philippines	68
	New Zealand	66
	Hong Kong	64
	Botswana	62
	Canada	62
	Singapore	62
	Mainland China	60
	South Africa	60
	Malaysia	49
	Poland	44
	Sweden	39
	Germany	38
	Armenia	32
	Argentina	31
<b>Global</b>		<b>24</b>
	Taiwan	23
	Mexico	20
	United States	20
	Netherlands	16
	United Kingdom	16
	Belgium	13
	Turkey	13
	Thailand	12
	Russia	10
	Italy	9
	Denmark	2
	Finland	-10
	France	-13
	Greece	-23
	Ireland	-42
	Spain	-56
	Japan	-72

Source: Grant Thornton IBR 2010

Optimism amongst privately held businesses (PHBs) around the world has bounced back to give the Grant Thornton global optimism/pessimism index for 2010 an optimism balance\* of +24%, compared to its lowest ever score of -16% this time last year. The International Business Report (IBR) survey of over 7,400 PHBs across 36 economies, now in its 18th year, also highlights a group of ten economies where businesses are more optimistic about the outlook for their economies than International Monetary Fund (IMF) forecasts might suggest.

Businesses in Chile, India, Australia, Vietnam and Brazil are the most optimistic in the world, all scoring over +70%. Close behind are Botswana, South Africa, mainland China, Singapore, Canada and Hong Kong (which showed the biggest swing of sentiment from 2009) at +60% or higher (see figure 1). At the other end of the scale, many eurozone countries remain pessimistic about the future; Italy, Denmark, Finland and France all scored +9% or lower with Greece (-23%) and Ireland (-42%) even more gloomy. Spain(-56%) and Japan (-72%) kept their places as the most pessimistic economies in the world, although even here the figures were slightly up on last year.

When compared to the IMF's GDP figures for 2009, economies that avoided recession (for example, Australia, mainland China, India and Vietnam) or suffered a relatively minor recession (such as Brazil, Hong Kong, Canada and New Zealand) all feature, not surprisingly, at the top of the league table.

Against the IMF's GDP forecasts for 2010, however, an interesting picture emerges, with businesses in places as geographically diverse as Australia, New Zealand, Canada, Malaysia and Germany recording disproportionately higher optimism than might be expected (see figure 2).

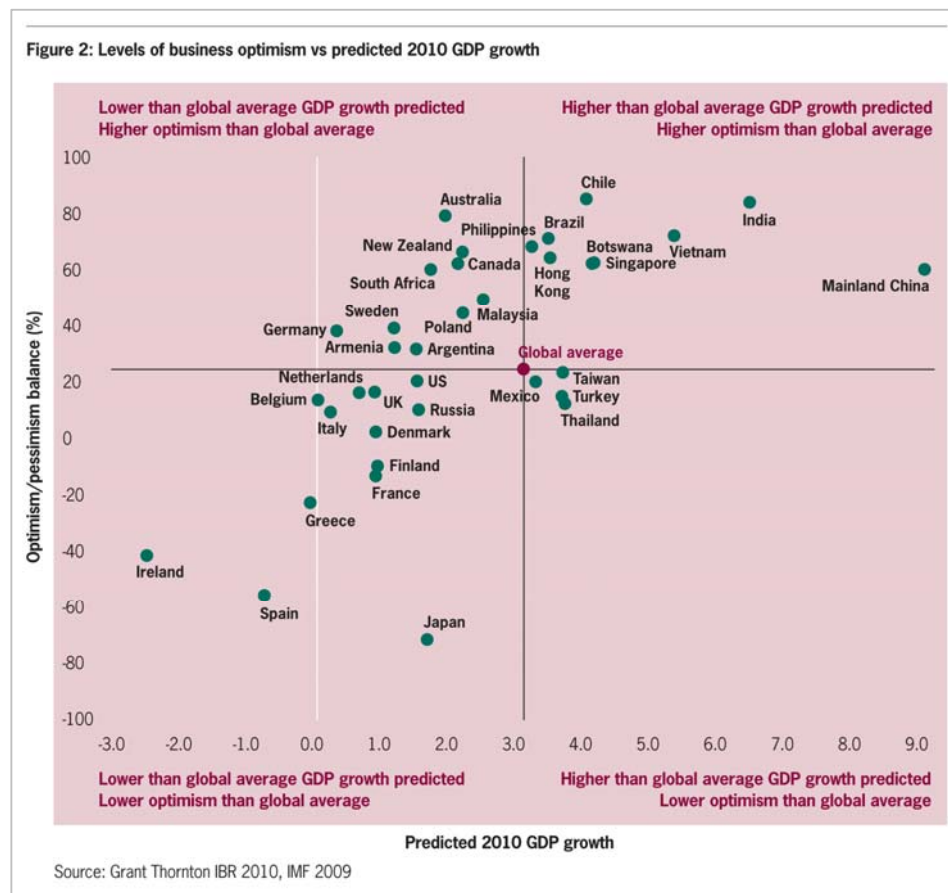
Alex MacBeath, global head of markets at Grant Thornton International, comments, "The question is whether businesses in these economies can forecast their future more accurately than the IMF. Many governments, on reading these results, will hope their business community is right and that their GDP in 2010 will outstrip IMF forecasts as a result."

Alex MacBeath comments, "The survey suggests that during the recession businesses have become leaner and more cost effective which may enable them to lower prices while

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still securing increased revenues and, crucially, profits. As the global economy emerges from recession, we are likely to see many businesses reaping the rewards of recession induced efficiencies to lead the way in the upturn. Many people blamed globalisation for the speed of the downturn but we are now seeing that globalisation may also help us accelerate out of recession.”

The survey also found that expectations of increased revenues in 2010 came out highest (at +40%) when respondents were asked to rank likely business trends in 2010. Increased turnover was followed by the surprisingly positive view that investment in plant and machinery (+31%) and profitability (+29%) would both increase. Businesses were much less hopeful about selling prices with 21 out of 36 economies less optimistic about increasing their prices than they were in 2009.



Commenting on the survey results specific to Botswana, Jay Ramesh Managing Partner of Grant Thornton in Botswana said “It is heartening to see the continued optimism of the business community of Botswana. It appears that most businesses in the non-mining sector have positioned themselves well for better business opportunities in the current year as compared to 2009. With the mining sector on the path to recovery during 2010, a better implementation schedule by the government ministries should keep the private sector busy. Though there is speculation that government has cut back heavily on budgets to reduce the budget deficit, the efficiency of project implementation by government is the key for growth during current year.”

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## Optimism bounces back amongst businesses around the world – page 4

### Highlights of the 2010 International Business Report: optimism/pessimism

- Asia Pacific (+64%, excluding Japan) was the most optimistic region, followed by Latin America (+48%) and North America (+24%). The European Union at +7% was the least optimistic by some distance.
- Amongst the eurozone economies, Germany (+38%) ranked the most optimistic; Ireland (-42%) and Spain (-56%) the most pessimistic.
- The biggest swing in sentiment was in Hong Kong which moved from deep pessimism last year (-49%) back to an optimistic +64% this year (a 113% rise).
- Brazil, Chile, New Zealand, Malaysia and Taiwan all recorded their highest levels of optimism since they joined the survey.

### Highlights of the 2010 International Business Report: economic expectations

- An expectation of increased revenues was the most optimistic business trend (+40%) out of the eight respondents were asked to rank. Vietnam was most optimistic at +95% with Japan lowest, and the only negative country, at -9%.
- Selling prices saw the least positive trend at +11%. Japan was most pessimistic at -46% with India most positive at +53%. Out of the 36 economies surveyed, 21 were less optimistic about increasing selling prices for 2010 than they were for 2009.
- Expectations for employment were most subdued in the European Union with a balance of -1% pessimistic about trends for the next 12 months. This was compared with +42% in Latin America.

## Optimism bounces back amongst businesses around the world – page 5

Economic performance compared with IBR results

The table below breaks down the 36 economies surveyed into groups based on their experiences during the global downturn and how they compare to optimism/pessimism sentiment expressed in the survey.

Country	Expected GDP change 2009	Predicted GDP change 2010	Recession in the past two years	IBR Opt/pess 2010 % balance	IBR Opt/pess 2009 % balance
<b>Avoided recession with robust growth expected</b>					
Australia	0.7	2.0	None	79	11
India	5.4	6.4	None	84	83
China	8.5	9.0	None	60	30
Philippines	1.0	3.2	None	68	63
Poland	1.0	2.2	None	44	-12
Vietnam	4.6	5.3	None	72	31
<b>Experienced recession with robust growth expected</b>					
Botswana	-10.3	4.1	Very deep	62	81
Brazil	-0.7	3.5	Mild	71	50
Chile	-1.7	4.0	Mild	85	-24
Hong Kong	-3.6	3.5	Deep	64	-49
Malaysia	-3.6	2.5	Deep	49	-2
Singapore	-3.3	4.1	Deep	62	11
Taiwan	-4.1	3.7	Deep	23	-50
Thailand	-3.5	3.7	Deep	12	-63
<b>Experienced recession with slow growth expected</b>					
Argentina	-2.5	1.5	Deep	31	-57
Armenia	-15.6	1.2	Very deep	32	46
Belgium	-3.2	0.0	Deep	13	-58
Canada	-2.5	2.1	Deep	62	3
Denmark	-2.4	0.9	Deep	2	-34
Finland	-6.4	0.9	Very deep	-10	-40
France	-2.4	0.9	Mild	-13	-60
Germany	-5.3	0.3	Deep	38	-3
<b>Global</b>	<b>-1.1</b>	<b>3.1</b>	<b>Deep</b>	<b>24</b>	<b>-16</b>
Greece	-0.8	-0.1	Mild	-23	-34
Italy	-5.1	0.2	Deep	9	-45
Mexico	-7.3	3.3	Very deep	20	-7
Netherlands	-4.2	0.7	Deep	16	-37
New Zealand	-2.2	2.2	Mild	66	-15
Russia	-7.5	1.5	Very deep	10	-2
South Africa	-2.2	1.7	Mild	60	35
Sweden	-4.8	1.2	Deep	39	-40
Turkey	-6.5	3.7	Very deep	13	-24
United Kingdom	-4.4	0.9	Deep	16	-47
United States	-2.7	1.5	Deep	20	-34
<b>Experienced deep recession with problems ahead</b>					
Ireland	-7.5	-2.5	Very deep	-42	-50
Japan	-5.4	1.7	Very deep	-72	-85
Spain	-3.8	-0.7	Deep	-56	-65

Sources: IMF 'World Economic Outlook' October 2009, Grant Thornton IBR 2010